

2020 Sustainability Procurement Survey

We use the following steps to identify and manage sustainability risks throughout our supply chain.

1. Conduct an annual sustainability procurement survey of key suppliers and analyze survey results to identify potential sustainability risks in the supply chain.
2. For suppliers classified as "high-risk suppliers" as a result of the survey, we conduct interviews to confirm whether or not they plan to make improvements regarding evaluation items (e.g. human rights) that we consider important, and conduct on-site audits as necessary.
3. Send suggestions for improvement to high-risk suppliers regarding items requiring improvement, and work together to improve their efforts.
4. Monitor the status of items requiring improvement through annual sustainability procurement surveys.

KPI	Target	Target Year	FY2020 Results
Percentage of respondents who completed the sustainability procurement survey	More than 90%	Fiscal 2020 and every year thereafter	92%
Supporting improvement activities for high-risk suppliers	100% implementation	Fiscal 2021 and every year thereafter	—
Conducting supplier inspections and CSR audits	More than 2 companies	Fiscal 2021 and every year thereafter	—

Overview of the Sustainability Procurement Survey

In fiscal 2020, we adopted the Self-Assessment Questionnaire (SAQ) developed by the United Nations Global Compact Network Japan (GCNJ) in 2017 to conduct our annual sustainability procurement survey of major suppliers. The SAQ is based on the 10 principles of the Global Compact, international guidelines such as ISO 26000 and CSR questionnaires from specific industries and identifies nine core items that can be shared between buyers and suppliers regardless of industry.

[Global Compact Network Japan "CSR Procurement Self-Assessment Tool Set"](#)

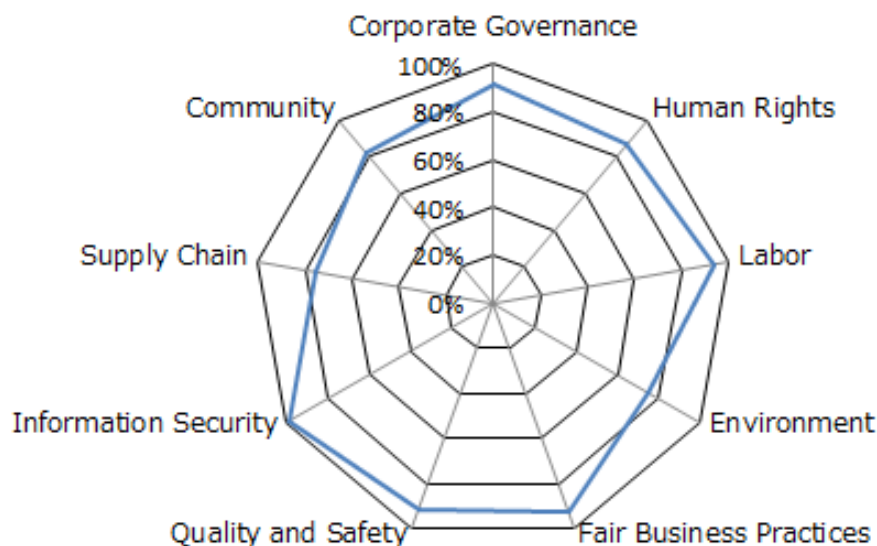
Target suppliers: In fiscal 2020, we surveyed major suppliers that are included in the top 80% of purchases.

*Softbank affiliates are not included in the survey.

Survey items: (1) Corporate governance related to CSR, (2) Human rights, (3) Labor, (4) Environment, (5) Fair corporate activities, (6) Quality, (7) Information security, (8) Supply chain, (9) Coexistence with local communities, 114 items

Results of the Survey

The average score rate for the total of the nine items was 87%. The peak values with a high score rate were (1) Corporate Governance, (3) Labor, (5) Fair Business Practices and (7) Information Security, while the peak values with a low score rate were (2) Human Rights, (4) Environment and (8) Supply Chain.



Sections	Number of questions	Maximum point yield (%)	Average scoring rate (%)
(1) Corporate Governance	20	100%	91%
(2) Human Rights	9	100%	87%
(3) Labor	23	100%	94%
(4) Environments	15	100%	75%
(5) Fair Business Practices	20	100%	93%
(6) Quality and safety	7	100%	92%
(7) Information Security	9	100%	98%
(8) Supply Chain	7	100%	76%
(9) Community	4	100%	82%
Total	114	100%	87%

Identifying and Mitigating Sustainability Risks

We define "sustainability high risk" as a situation in which suppliers human rights, labor, or environmental practices are inadequate and are likely to have a significant negative impact on our business activities, such as human rights violations that could affect our corporate reputation, poor labor conditions that could reduce the quality of our products and services, or violations of environmental or labor-related laws and regulations. To identify high-risk suppliers, we conduct a sustainability procurement survey that evaluates suppliers from nine perspectives, including human rights, labor, and the environment. Suppliers with an average score of 65% or lower on the nine criteria are classified as "high-risk" suppliers, and we work together with them to improve our initiatives.

Risk Rank	Evaluation Score	FY2020 Percentage of suppliers surveyed	Description
Low risk	Total 86% or greater	70% (49 Companies)	Suppliers able to act at the level required by our Supplier Code of Ethical Conduct.
Middle risk	Total 66-85%	19% (13 Companies)	There are items where suppliers are not acting at the required level of our Supplier Code of Ethical Conduct, but voluntary improvements are made.
High risk	Total 65% or under	11% (8 Companies)	Need to monitor the status of items for which suppliers are not acting at the required level of our Supplier Code of Ethical Conduct based on the improvement plan.

Supporting Improvement Activities for High-risk Suppliers

For suppliers identified as having sustainability risks as a result of the sustainability procurement survey, we 1) share the results of the analysis, 2) conduct additional interviews to clarify concerns, and 3) discuss the direction of action to support improvements. In fiscal 2020, we conducted an additional survey and found that none of the suppliers that responded to the survey posed any obvious (serious) risks, but we have asked suppliers who indicated that their systems for taking corrective action as needed were insufficient to take advantage of this assessment to improve their initiatives.

Type of risk	Contents	Target suppliers	Number of supported suppliers for improvement in fiscal 2020	Improved guidance rate
Environmental risks	<ul style="list-style-type: none"> Introduce good examples to suppliers not disclosing environmental data Recommend environmental data disclosure 	High risk	6 companies	100%
Human rights risks	<ul style="list-style-type: none"> Recommend development of policies and guidelines on human rights Recommend investigations of suppliers Encourage suppliers to develop and 	High risk	5 companies	

	<p>follow a code of ethical conduct.</p> <ul style="list-style-type: none"> Confirmation of production bases in overseas emerging/developing countries and the existence of systems for accepting foreign technical interns 			
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Conduct Supplier Visits and Audits

In the past, we have conducted on-site inspections of our suppliers factories to check on quality and safety assurance, occupational health and safety and other issues. In the future, we are planning to conduct audits focusing on monitoring compliance with the Supplier Code of Ethical Conduct (CSR audits), and have set a goal of formulating audit items and conducting audits at least two companies within fiscal 2021. As a result of the audit, if a company is assessed as a high-risk company that needs to make improvements, an improvement plan will be formulated and implemented after the audit.

On-site audit	FY2018	FY2019	FY2020	FY2021
Target	—	—	—	2 Companies or more (CSR Monitoring)
Achievements	7 Companies (Inspection)	9 Companies (Inspection)	1 Company (Inspection)	—

Responsible Sourcing of Minerals

In fiscal 2020, we conducted a survey of primary suppliers on the country of origin of conflict minerals contained in their products using the Conflict Minerals Reporting Template (CMRT *1) and received responses from 17 companies.

FY 2020 Survey Results	Gold(Au)	Tantalum (Ta)	Tin (Sn)	Tungsten (W)
Total number of refineries for each metal	156 (Of which, 2 companies are in the target country*2)	38 (No target countries)	87 (Of which, 2 companies are in the target country*2)	49 (No target countries)

*1 CMRT (Conflict Minerals Reporting Template): A survey format for reporting conflict minerals provided by the Responsible Mining Initiative (RMI), which has established international guidelines on conflict minerals.

*2 Target Countries: This refers to the Congo and a total of 10 countries designated as target countries for conflict minerals: Angola, Zambia, Tanzania, Uganda, South Sudan, Rwanda, Central African Republic, Republic of Congo and Burundi.